

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 JUSE-00 OIC-02 AF-10 ARA-10 EUR-12 NEA-10

/168 W

-----088258 281352Z /72

R 280922Z APR 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5025

USMISSION GENEVA

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MTN

E. O. 11652: NA

TAGS: ETRD, MTN, ASEAN, RP

SUBJECT: MTN: US-GOP MTN BILATERAL TALKS, APRIL 26-27, 1978

1. SUMMARY: US/PHILIPPINE BILATERAL TALKS IN CONTEXT OF US MTN OFFER MADE LIMITED PROGRESS. PHILIPPINE DEL TABLED INITIAL OFFER WHICH FALLS FAR SHORT OF US REQUESTS, AND WAS BASED PRIMARILY ON US TROPICAL PRODUCTS REQUESTS TABLED IN MARCH 1976 AND TARIFF REDUCTIONS MADE BY GOP DURING LAST SEVERAL YEARS. POTENTIALLY SIGNIFICANT, HOWEVER, IS THE FACT THAT BINDINGS WERE OFFERED ON SEVERAL TARIFF LINES. PHILIPPINE DEL ALSO MADE REQUESTS FOR MAINTAINING OR IMPROVING US GENERAL MTN OFFER WHICH GO SIGNIFICANTLY BEYOND ITS PREVIOUS EMPHASIS ON TROPICAL PRODUCTS NEGOTIATIONS. THE BILATERAL WAS CHARACTERIZED AS AN INITIAL NEGOTIATING SESSION BY BOTH DELEGATIONS AND IT WAS AGREED TENTATIVELY TO RESUME CONSULTATIONS MAY 16-17 IN GENEVA. END SUMMARY.

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2. USDEL (BRAEF ET AL) MET APRIL 26 AND 27 WITH PHILIPPINE PANEL CHAIRED BY AMB. VEGA. DURING FIRST DAY, DISCUSSIONS FOCUSED ON US MTN OFFER. USDEL REVIEWED VALUE OF US OFFER TO PHILIPPINES EMPHASIZING THAT US GENERAL OFFER TABLED JANUARY 23 SIGNIFICANTLY EXPANDED PHILIPPINE INTERESTS BEYOND TROPICAL PRODUCTS. PHILIPPINE DEL

TABLED REQUEST LISTS COVERING TARIFF LINES WHERE GOP IS INTERESTED IN MAINTAINING OR IMPROVING US OFFER (LISTS BEING HAND CARRIED TO WASHINGTON AND GENEVA). VEGA AS IN ALL PREVIOUS CONTACTS STRESSED US IMPROVEMENTS AS A PRECONDITION TO SUCCESSFUL NEGOTIATIONS. USDEL EMPHASIZED THAT PHILIPPINE DEL WOULD HAVE TO TABLE A SIGNIFICANT OFFER TO MAINTAIN U.S. OFFER WHICH WAS ALREADY ON TABLE.

3. VEGA ALSO EXPRESSED A GREAT DEAL OF INTEREST IN US/ MEXICO AGREEMENT. USDEL CAUTIONED THAT AGREEMENT SHOULD NOT BE INTERPRETED AS A PRECEDENT AND THAT BEST COURSE OF ACTION TO IMPLEMENT RESULTS OF BILATERAL NEGOTIATION WAS FOR PHILIPPINES TO FULLY ACCEDE TO GATT. WITH RESPECT TO MEXICAN CONCESSIONS UNDER THE AGREEMENT USDEL EMPHASIZED THAT THEY WERE BOUND AND COVERED BOTH TARIFF AND NON-TARIFF MEASURES. USDEL AGREED THAT US HAD IMPROVED ITS TP OFFER TO CONCLUDE THE AGREEMENT, BUT THAT THIS WAS DONE IN CONTEXT OF TP WHEN ONLY 150 PRODUCTS WERE OFFERED IN CONTRAST TO CURRENT SITUATION IN WHICH NEARLY ENTIRE US TARIFF SCHEDULE HAD BEEN CONSIDERED.

4. GOP TABLED ITS OFFER DURING THE SECOND DAY OF DISCUSSIONS. THE OFFER REPRESENTED A RESPONSE PRINCIPALLY TO US REQUESTS TABLED IN MARCH 1976 LARGELY IGNORING REQUESTS TABLED MORE RECENTLY IN NOVEMBER 77 AND MARCH 78. LIMITED OFFICIAL USE

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IN ADDITION, OFFER WHICH INCLUDED "TARIFF CONCESSIONS" ON 54 PRODUCTS, WAS BASED ON PREVIOUS TARIFF REDUCTIONS (BASE RATES FOR US REQUESTS) SOME OF WHICH DATED BACK TO JANUARY 74. IN FACT ONLY 13 ITEMS INCLUDED IN THE OFFER WOULD REQUIRE ACTION ON PART OF GOP. OF POTENTIAL SIGNIFICANCE, WAS AN OFFER TO BIND CURRENT TARIFFS ON 12 ITEMS, WHICH IS MORE FORTHCOMING ON THIS ISSUE THAN THE POSITION OF MOST DEVELOPING COUNTRIES.

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STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 JUSE-00 OIC-02 AF-10 ARA-10 EUR-12 NEA-10
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5. USDEL REGISTERED FIRM DISAPPOINTMENT WITH THE PHILIPPINE OFFER, POINTING OUT 1) THAT CREDIT WAS BEING SOUGHT FOR ACTION TAKEN BY GOP AS LONG AS FOUR YEARS AGO WITH NO OFFER TO BIND, 2) THAT US OFFER WAS DISPROPORTIONATELY LARGER THAN GOP OFFER, AND 3) THAT GOP HAD NOT REPEAT NOT RESPONDED TO MORE RECENT US REQUESTS. USDEL ALSO OBSERVED THAT GOP OFFER HAD BEEN TABLED DURING MARCH-APRIL 1976 BILATERAL ECONOMIC NEGOTIATIONS (IN RESPONSE TO WHAT WAS IN FACT US TP OFFER) AND THAT AN "INDICATIVE" (UNOFFICIAL) OFFER HAD BEEN PROVIDED DURING SEPTEMBER 1977 "PRE-NEGOTIATION CONSULTATIONS" ON A BILATERAL ECONOMIC TREATY, AND OBSERVED THAT PRESENT OFFER DID NOT REPEAT NOT INCLUDE ALL ITEMS ON PREVIOUS LISTS. USDEL ALSO REQUESTED AN ITEM BY ITEM REVIEW OF US REQUESTS IN ORDER TO BETTER UNDERSTAND WHY PHILIPPINE RESPONSE HAD BEEN SO MINIMAL.

6. VEGA SAID HE WAS UNPREPARED FOR SUCH A REVIEW BUT LIMITED OFFICIAL USE

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EXPLAINED THE CRITERIA ON WHICH PHILIPPINE OFFER WAS BASED:

(A) PRODUCTS CLASSIFIED BY CENTRAL BANK AS ESSENTIAL, (B) PRODUCTS IMPORTED INTO PHILIPPINES IN SUBSTANTIAL QUANTITIES, (C) PRODUCT OR SUBSTITUTE NOT PRODUCED DOMESTICALLY, OR IF PRODUCED TARIFF REDUCTION WOULD NOT NEGATIVELY EFFECT COMPETITIVENESS, AND (D) CONCESSION WOULD NOT NEGATIVELY AFFECT GOP PROGRAMS. VEGA ALSO PRESSED FOR US TO IDENTIFY ITS PRIORITIES. USDEL SAID IT WAS NOT IN A POSITION TO DO SO IN THE ABSENCE OF A SPECIFIC PRODUCT LINE RESPONSE BY THE PHILIPPINES.

7. VEGA EXPRESSED GREAT DISAPPOINTMENT WITH NEGATIVE USDEL REACTION, STATING PARENTHETICALLY HIS HOPE THAT

SUCH A REACTION WOULD NOT NEGATIVELY AFFECT THE
OF VICE PRESIDENT MONDALE, SINCE PRESIDENT MARCOS PLANNED
TO EMPHASIZE ECONOMIC MATTERS DURING THEIR TALKS. HE
EXPLAINED THE ADDITIONAL RECOMMENDATIONS HE HAD MADE TO
HIGHER AUTHORITIES HAD NOT BEEN APPROVED AND REITERATED
GOP POSITION THAT US TARIFFS DISCRIMINATED AGAINST
PHILIPPINE (COCONUT) OIL AND PHILIPPINE PLYWOOD (AND
WERE VESTIGES OF COLONIALISM)..

8. USDEL REMINDED VEGA THAT IT HAD ALREADY CHARACTERIZED
PHILIPPINE OFFER AS A USEFUL FIRST STEP AND THAT
MEETING HAD BEEN SUCCESSFUL ON THIS CONTEST. USDEL ALSO
INDICATED THAT CONCESSIONS US HAD OFFERED WERE OF
SIGNIFICANT VALUE TO PHILIPPINES, BUT ACTUAL IMPLEMENTATION
OF OUR OFFER DEPENDENT ON ACHIEVING SOMETHING OF VALUE
TO BOTH SIDES OF THE NEGOTIATIONS. IT WOULD BE DISHONEST
THEREFORE TO INDICATE THAT THE BASIS FOR A SUCCESSFUL
NEGOTIATION, WHICH BOTH SIDES WANTED, WAS ON THE TABLE.
GOP UNDERTOOK TO REVIEW ITS POSITION PARTICULARLY
WITH RESPECT TO THE MARCH 1978 US REQUESTS. IT WAS
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AGREED TENTATIVELY TO MEET AGAIN MAY 16-17 IN GENEVA.
VEGA EXPLAINED HIS INTENTION TO CONFIRM THIS WITH
AUTHORITIES.

9. COMMENT: IT IS CLEAR THAT GOP IS STILL TRYING TO
FIND THE BEST LEVER TO ACHIEVE THE TARIFF REDUCTIONS
IT DESIRES. PHILIPPINES HAS TAKEN A TENTATIVE STEP BY
MAKING AN OFFER IN THE MTN CONTEXT. IT IS OUR BELIEF
THAT ALL OF THE TABLED US REQUESTS WERE NOT FULLY
CONSIDERED BUT IT IS DIFFICULT TO BELIEVE THIS IS THE
ONLY REASON FOR SUCH A MINIMUM RESPONSE. WE THEREFORE
ARE NOT SURE THAT GOP WILL BE WILLING TO IMPROVE ITS
OFFER SIGNIFICANTLY ENOUGH TO ALLOW NEGOTIATED SOLUTION. END
COMMENT.
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